

**CTTC Commission Meeting
Meeting Minutes
June 24, 2004
10:30 a.m. – 3:00 p.m.
Ritz Carlton Marina del Rey**

I. Call to Order/Approval of Agenda and February 3, 2004 Commission Meeting Minutes

The meeting was called to order at 10:50 a.m. Roll was taken and the following Commissioners were present: Anderson, Bilby, Blasko, Bridwell, Burke, Dunlap, Erskine, Fife, Fujiwara, Gelfand, Handlery, Hansen, Hays, Lawrance, MacRae, Meinhold, O'Modhrain, Patel, Reinders, Roberts, Voltin and Westrope. Others present were: Executive Director Caroline Beteta, Don Skeoch, Tom Kiely, Terri Taylor-Solorio, Mo Renfro, Damon Eberhart, Michael Kvarme, Ed Heidig, Bill Bullard, Susan Wilcox, Anastasia Mann, Monica Lowry, Jennifer Jasper, Lisa Kruttschnitt, Lori Bartel, Dave Mering, Lori Richards, Denise Miller, Janice Simoni, Greg Murtha, John McMahon, Teddy Wade, Jean Johnstone, Jon Trumbull, Carol Shannon, Jerry Clark, Sue Coyle and Shana O'Neil-Coonan.

Introductions were made around the table.

Motion by Commissioner Anderson to approve the February 3, 2004 Commission meeting minutes. Second by Commissioner Dunlap. Motion unanimously approved.

II. Executive Director Report

Executive Director Beteta reported on the Commission's recent marketing activities including the New York Media Blitz, PowWow, the debut of the updated "*Were Californians*" TV spot with the Governor and Maria Shriver, the "The Best of California" TV series and other successful international marketing activities.

Executive Director Beteta reported that return on investment information would be presented later in the meeting. California's market share has dropped $\frac{3}{4}$ of a percentage point this past year. An evaluation needs to be done in order to maintain competitiveness with other destinations due to the correlation between advertising spending and growth. This is indicated by the fact that, despite an overall loss, gains were made in non-resident travel where advertising funds were spent.

Executive Director Beteta reported that there would be a review of the budget as well as a review of the efforts made by the CTTC Government Affairs Committee and industry advocacy efforts, SB 1390 (amended to the amount of \$1 million) is still pending.

Governor Schwarzenegger is proving to be a huge voice for tourism, as indicated by his participation in PowWow in Los Angeles, and the possibility of him doing a promotional entertainment video.
(PowWow video shown)

III. Marketing Advisory Report

A. Research

Commissioner Bilby introduced Denise Miller with SMARI to provide recent advertising research results.

Denise Miller, with SMARI research, provided a report on the return on investment (ROI) for last year's spring and summer advertising campaign. She explained the Commission's research objectives and the methodology that SMARI used in order to obtain the data. The Commission's research objectives were to: 1) Measure travel to California and determine the travel generated by the ad campaign; 2) Determine economic impact of travel from the target markets and level of travel among those who saw the advertising; and 3) Calculate the ROI of campaign.

The methodology that SMARI has adopted is different from the one used in the past. This time, a blended telephone and Internet methodology was used where respondents actually viewed the ads to determine exposure. Internet participants viewed ads on-line, while telephone participants received a videotape. Participants were leisure travelers with household incomes of \$50,000+ with a total of 1,816 surveys completed in several different markets. The goal was to measure actual influence by affected behavior. She reported that California's ads were extremely effective and had the highest ratings that the firm had seen, with all aspects scoring over four points out of a possible five points. It was shown that of those surveyed, 68 percent recalled seeing the ad. As for California's competitors, Nevada scored next highest and then Colorado. It was important to the Commission to establish the concept of incremental travel as defined by looking at the difference of people that would have visited California anyway as opposed to those that were directly influenced to travel by the ads. That difference being established and being attributed to advertising results in \$4 return on every \$1 spent for advertising.

Commissioner Bilby stated that this method was a very conservative view, and that the Commission should feel positive about it.

Commissioner MacRae questioned if there was information on other state's ROI's. Denise Miller responded that California's ROI of \$4.35 is actually very high, with the average being \$2.00.

B. FY 04-05 Proposed Marketing Plan

Commissioner Bilby reported that three goals were established with regard to the proposed marketing plan: 1) Increase market share; 2) Drive bookings for California vacations; and 3) Provide opportunities for the travel industry to do what the industry cannot do for itself, i.e. reach markets outside of California and internationally. She recommended marketing efforts should be explored toward a "high end" versus "family focus" option as opposed to a north/south or urban/rural split in order to give the industry the opportunity to reach further markets. She cautioned however, that the Commission will not be able to move market share on a \$6 million budget, but the goal is to keep it as stable as possible.

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With regard to the international markets, the committee recommended the following funding levels. Funding was reduced to \$60,000 for Japan; the United Kingdom will continue at \$60,000, Germany's funding will continue at \$40,000, and Australia's funding will be \$50,000. It was recommended that the Brazil office be closed and deleted as a budget item. For the United Kingdom, Japan and Germany it was recommended that public relations and travel trade efforts be integrated into one office.

The new Publications/Web Site subcommittee was established with Jamie Wolcott acting as chair. The new committee will be looking at how the Commission can continue to reinforce its "*Find Yourself Here*" branding campaign and will provide recommendations. Commissioner Bilby called for volunteers to participate on the Publications/Web Site subcommittee.

Commissioner Bilby reported that Mering & Associates would do the Fall co-op piece and that the Commission will submit an RFP for advertising services this summer. It was recommended that an RFP process be conducted every five years instead of three years and to include an annual review of the selected firm.

C. Advertising/Co-op Update

Commissioner Bilby introduced Lori Bartle, of Mering & Associates, who reported on the accomplishments of the ten-page spring co-op piece that ran in three publications. She reported on the importance of co-op programs and their ability to leverage the limited CTTC funds most efficiently. This year's fall co-op piece was realizing more partners and would be larger than last year's piece. She explained that \$25,000 comes from vertical co-ops in exchange for editorial privileges in the piece. Full page ads cost from \$28,000-\$30,000, which is about one quarter of the cost if it was done individually. The advertising starts at \$7,000 for a quarter page ad, with the intent that everyone can participate in the program. The editorial/ advertising ratio is fifty-fifty which makes an attractive, interesting piece.

Lori Richards, of Mering & Associates, reported that the fall piece will target off-peak travelers who are typically a different demographic and usually travel without children. Visitors to California tend to have higher household incomes – generally over \$75,000, travel more by plane, spend more money and spend more nights in hotels. This piece will target the western market, helping to compete with major competitors. An RFP for publications is being done to ensure cost efficiency and what will best suit the Commission's needs. What the publication will offer in terms of incentives will play a big part in the decision. The goal is to advertise in three publications and the short list of publications are: *Conde' Nast*, *National Geographic Traveler*, *Travel & Leisure*, *Better Homes & Gardens*, *Sunset*, *Smithsonian*, and *Bon Appetite*.

The question of what other states are spending for advertising was raised and it was stated that currently, Texas is first and Florida is second. Spending by medium was discussed and it was noted that magazine print is currently the most popular.

John McMahon questioned the viability of the cooperative marketing programs if the state did not become an investor. Chief Deputy Director Susan Wilcox responded that the Shop, Culture and Golf programs had all been reviewed extensively and that great effort is being made to keep those partnerships together. Lori Bartle reported that the budget of \$25,000 was deliberately conservative.

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Susan Wilcox reported that she had been asked at a previous meeting to provide detailed information and ROI for each cooperative marketing line item. In response to that request a cooperative marketing recap document was produced and provided. A few of highlights are the new Asian American Pacific Islander Culture piece created by the Cultural Tourism Committee and FunSpots with coupons and web-based mailers including great tips for family vacations.

D. Communications

Deputy Director Jennifer Jasper provided a report on CTTC's communications and media relations efforts. The regional marketing representatives were introduced and she explained their role in reaching assessed businesses on a personal level. She briefly mentioned recent events including the New York media reception and marketplace, the March video news release done to promote the revised :30 TV spot, California Travel Market, PowWow and a Southwest Airlines summer kick-off promotion. Caroline Beteta had the opportunity to promote the economic impact of tourism at the Capitol Clear Speak, doing nine interviews over two days.

(Armstrong and Getty interview video shown)

Jennifer Jasper reported that the TV advertising launch and video news release was done in a major effort to reach as many people as possible with the new :30 TV spot. The coverage was picked up in seventeen markets.

(Clip of video news release on LA KNBC was shown.)

E. International

Terry Selk reported on the CTTC's international marketing operations. Fifteen episodes a week of the "California Golf" series is now being played in the United Kingdom as well as on the Travel Channel in eight languages all over Europe. ("California Golf" series clip is shown.) Mr. Selk reported that the three-year program has cost the Commission nothing. Also on the golf front is the Beringer Golf Mastercard campaign with 330 million cardholders, 300,000 ATM machines and 6,000 bank outlets as targeted participants. He reported that due to the growing strength of foreign currency, international travel, especially to California, is seeing a resurgence. The Commission has also entered into a new promotion with Nissan with over 500 retailers participating. Nissan will be unveiling a new SUV in the European market that will be consistent with re-branding the "Adventures in California" film. A copy of the film highlighting outdoor activities will be given to anyone who test-drives the new SUV. California partners in the promotion will offer a 20 percent discount to United Kingdom travelers. A new promotion, the "Taste of California", will consist of 13 episodes highlighting culinary tourism. He reported that he is carrying out an international advertising training program to rural areas as well. In summation he pointed out that international advertising dollars show a return on investment of over \$5 to \$1.

F. Publications/Web Site

Commissioner Bilby reported on the publications and web strategy. Following a RFP, the CTTC has a new vendor taking care of publications fulfillment needs. A Publications/Website subcommittee was formed and directed to come up with new strategies for efficiency and cost savings. Also, once Welcome Center legislation is

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complete, a subcommittee will be formed to assist in the establishment of new welcome centers.

IV. Marketing Budget

Commissioner Bilby indicated that the provided budget had been updated with yesterday's Marketing Advisory Committee recommendations. She reminded everyone that the focus would be on the marketing portion of the budget. Overall, international marketing took a 50% cut due to increased focus on domestic markets. She indicated that the first category is the Consumer Co-op Programs. She pointed out that the individual line item for the Snow co-op, \$32,000, is being relocated under the publications category as a new line item for a winter guide due to the fact that most publications focus on summer activities. Participation in both World Travel Market and California Travel Market have been reduced. Research was reduced to \$200,000. She reported that, this being the current budget, there is still the possibility of seeing an additional million added to the budget. In that case, \$800,000 would go directly to advertising. The additional \$200,000 would be used to cover operations expenses.

Commissioner Bilby reported that the budget had been approved by the Executive Committee for presentation to the full Commission and that the marketing portion needed to be up for approval today. She opened the floor for questions regarding the budget.

Commissioner Reinders indicated that budgets are down industry wide and recommended that it be a priority to review the assessment operations in order to find a way to generate more revenue. Commissioner Bilby agreed.

Motion to adopt the proposed marketing portion of the FY 04/05 budget by Commissioner Anderson. Second by Commissioner Lawrance. Motion unanimously approved.

V. Government Affairs Committee Report

Commissioner Roberts reported on the Government Affairs Committee recent activities. Commissioners Roberts, Dunlap and Koeberer met with Bob White who offered to help the Commission pro bono to set up meetings with the appropriate people. They later met with the Governor's economic advisor David Crane and Senator Jackie Speier who has become a proponent for tourism and has introduced SB 1390. From meetings with the Governor's staff, it may be that if the industry does not take action to fund itself, there is the possibility that the state will intervene by way of a tax.

Terri Taylor-Solorio reported on the progress of SB 1390. CalTIA has been working to educate legislators on important return on investment figures and the importance of tourism as a job generator.

CalTIA lobbyist Tami Miller reported that Senator Chavez had been approached about submitting a bill for tourism marketing act revisions including the proposal for lowering the threshold for assessment to \$500,000. It was his recommendation that it was currently not the appropriate time to submit such a bill. She also reported that if the SB 1390 did pass, the CTTC would not see additional funds until 2006.

The issue of allowing gaming to make voluntary assessment was raised. Ed Heidig, legal council for the Business, Transportation and Housing Agency, reported that it was

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Secretary McPeak's recommendation that the Commission postpone approaching the tribal nations regarding assessments until the Governor's budget process was complete. Executive Director Beteta reported that currently, the marketing act prohibits the Commission from accepting any voluntary contributions from gaming businesses. Commissioner Reinders reported that he felt that, given the chance, the gaming industry would be willing to participate from a marketing standpoint.

VI. Strategic Planning

Commissioner Burke reported that the industry needs to evaluate long-term funding solutions in the event that the state does not immediately become an investing partner again. With the state not participating, and lack of assessment revenue growth, the result has been a weak marketing plan. The Executive Committee has recommended that the industry plan meetings for Strategic Planning around a September timeframe. If the industry does not take action, there is the possibility of the government intervening and instituting a tax that will not be in the best interest of the industry. He asked that industry leaders set aside time for this important process.

It was decided that industry leaders, Commissioner and others, should be invited to participate. Executive Director Beteta stated that it would be important to evaluate what could be done on a transactional basis to modify the program and remove some of the arbitrariness in the assessment process. Commissioner MacRae recommended that a goal of what funding level would be needed to achieve market share growth. Commissioner Bridwell recommended that a committee be formed in order to prepare for and facilitate such a meeting. It was also recommended that public sector stakeholders be invited to participate.

The idea of hiring a professional meeting facilitator was discussed. It was decided that further thought would be given to the idea.

VII. Financial Report

Commissioner MacRae reported that the CTTC was on track in terms of yearly spending. The marketing side has spent less this year than it had by the same time last year. The net result is a carry over of \$83,000 that is in reserve. The capital reserve for operations is currently at just over \$1 million – which would cover operating costs for approximately six months. He reported that some of the overages are a result of a slight increase in assessment revenues due to success by CTTC's assessment group in adding more participating businesses. He reported that the assessment program organization completely changed with the collapse of the Technology, Trade and Commerce Agency. He pointed out the budget is based on a fiscal year and that the current statements report on the last ten months. When the Commission meets again in October it will report the results of the full fiscal year. Commissioner MacRae reported that there is a formal policy that the Executive Director of the CTTC can make changes up to \$50,000. However, Executive Director Beteta reported that she always brings any changes before the Executive Committee before proceeding.

Commissioner MacRae reported that it was the Executive Committee's recommendation to establish an audit committee and to retain PriceWaterhouseCoopers to conduct the CTTC's annual audit.

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Commissioner MacRae reported that the CTTC's recent move expenses would not be reported until the next budget. He explained the rise in salary costs is due to the necessary conversion of a couple of new employees from contract status.

Commissioner MacRae reported that he had spent time reviewing the CTTC's accounting procedures. Tracy Garrett had compiled a detailed list of CTTC vendors which will help to facilitate the evaluation of whether or not the CTTC should go out to bid on any particular vendors in order to achieve aggressive contracting rates. In the process, both Damon Eberhart and Mike Kvarme's firms made concessions in their billing rates due to the Commission's financial situation with lack of state funding. Commissioner MacRae expressed appreciation for the cooperation of both firms.

With regard to the operations portion of the budget, Commissioner MacRae reported on the necessary increase in rent due to CTTC's recent move to the Business, Transportation and Housing Agency, and subsequent relocation of offices. Additional media liability insurance and workers compensation had been procured as well.

Commissioner Reinders questioned what was being spent on information technology needs and the line item for the web site. Commissioner Bilby reported that the newly formed Publications/Web Site Subcommittee had been tasked with reviewing those needs to see where cost efficiency changes can be made.

Motion to adopt the budget as present by Commissioner Dunlap. Second by Commissioner Bilby. Motion unanimously approved.

VIII. Legal Report

Mike Kvarme reported that there were minor changes made to the bylaws, mostly to reflect code and section number changes.

IX. Other Business

Commissioner Burke suggested that the role of past Commissioners and attendance be addressed at the next meeting.

It was announced that the next Commission meeting would take place October 20-21, 2004. More details will follow shortly.

Commissioner Lawrance recommended Cal Poly's hospitality school as a venue for an upcoming Commission meeting.

X. Public Comment

There was no public comment.

XI. Adjournment

Respectfully submitted by Shana O'Neil-Coonan